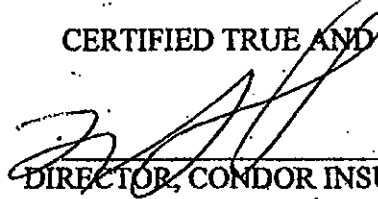


## Exhibit "A"

**CONDOR INSURANCE LIMITED  
FINANCIAL STATEMENTS  
FOR THE YEAR  
ENDED DECEMBER 31, 2006**

**CERTIFIED TRUE AND CORRECT**

  
\_\_\_\_\_  
**DIRECTOR, CONDOR INSURANCE LTD**

**GLOBAL ACCOUNTING ASSOCIATES**

P.O. Box 528

#2 Central Street

Basseterre

St. Kitts

West Indies

Telephone: (869) 465-8212

Fax (869) 465-5579

E-Mail: [sagalla@hotmail.com](mailto:sagalla@hotmail.com)**AUDITORS REPORT**

To: The Shareholders of  
Condor Insurance Limited

We have audited the accompanying balance sheet of Condor Insurance Limited as at December 31, 2005 and the related statements of income, changes in equity and cash flows for the year then ended. These financial statements set out on pages 2 to 9 are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform our audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above, present fairly, in all material respects, the financial position of the Company as at December 31, 2005 and the result of its operations, changes of equity and its cash flows for the year then ended in accordance with generally accepted accounting principles.



Global Accounting Associates  
Chartered Accountant

July 17, 2006

**CONDOR INSURANCE LIMITED**  
**BALANCE SHEET**  
 (EXPRESSED IN UNITED STATES CURRENCY)

ASSETS	NOTES	AS AT DECEMBER 31,	
		2006	2004
<b>CURRENT</b>			
Cash and Bank	2 (a) & 3	2,540,797	2,269,334
Accounts Receivable	4	6,983,241	15,132,170
Investments and Securities	5	304,427,146	293,634,749
		<u>313,951,184</u>	<u>311,036,253</u>
<b>FIXED</b>			
Rolling Stock and Other Assets	2 (f) & 6	659,937	606,837
Real Estate	7	1,040,500	1,740,000
		<u>1,700,437</u>	<u>2,436,837</u>
<b>Total Assets</b>		<u>315,651,621</u>	<u>313,473,090</u>
		*****	*****
<b>LIABILITIES</b>			
<b>CURRENT</b>			
Accruals		159,093	101,000
Unearned Premiums	8	3,572,007	2,775,260
Contingent Liability	9	16,287,838	8,471,250
		<u>22,018,938</u>	<u>11,347,500</u>
<b>LONG TERM</b>			
Policy Reserves	10	33,842,179	43,692,279
<b>Total Liabilities</b>		<u>55,861,117</u>	<u>55,039,779</u>
		*****	*****
<b>SHAREHOLDERS' EQUITY</b>			
Share Capital	11	1,000,000	1,000,000
Capital Contributed	12	54,958,085	54,958,085
Surplus Note	13	165,000,000	165,000,000
Retained Earnings		39,032,410	37,475,216
<b>Total Shareholders' Equity</b>		<u>259,990,505</u>	<u>258,433,311</u>
<b>Total Liabilities &amp; Shareholders' Equity</b>		<u>315,651,621</u>	<u>313,473,090</u>
		*****	*****

The attached Notes form part of these Financial Statements

 Director

 Director

**CONDOR INSURANCE LIMITED**  
**INCOME STATEMENT**  
**(EXPRESSED IN UNITED STATES DOLLARS)**

	FOR THE YEAR ENDED DECEMBER	
	2006	2004
<b>Gross Revenues</b>	14,641,200	21,890,472
<b>Less: General and Operating Expenses</b>	4,585,257	3,522,384
<b>Net Income from Operations</b>	10,055,952	18,368,108
<b>Less:</b>		
Recognised Losses on Investments	690,500	1,575,500
Legal and Professional Expenses	655,479	671,084
Depreciation	193,831	178,621
Provision for Policy Reserves	6,829,046	10,657,378
	8,377,856	13,082,783
<b>Net Profit for the year</b>	1,678,096	5,275,325

The attached Notes form part of these Financial Statements

**CONDOR INSURANCE LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**  
**(EXPRESSED IN UNITED STATES CURRENCY)**

	SHARE CAPITAL	CAPITAL CONTRIBUTED	SURPLUS NOTES	RETAINED EARNINGS	TOTAL
Balance at December 31, 2003	1,000,000	54,958,095	165,000,000	32,468,679	253,446,774
Net Income for the year				5,275,325	5,275,325
Dividends Paid and Proposed				(288,788)	(288,788)
Balance at December 31, 2004	1,000,000	54,958,095	165,000,000	37,475,216	258,433,311
Balance at December 31, 2004	1,000,000	54,958,095	165,000,000	37,475,216	258,433,311
Net Income for the year				1,678,098	1,678,098
Dividends Paid and Proposed				(120,902)	(120,902)
Balance at December 31, 2005	1,000,000	54,958,095	165,000,000	39,032,410	259,990,505

The attached Notes form part of these Financial Statements

**CONDOR INSURANCE LIMITED**  
**CASH FLOW STATEMENT**  
**(EXPRESSED IN UNITED STATES CURRENCY)**

	FOR THE YEAR ENDED DECEMBER	
	2006	2004
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit	1,678,096	5,275,325
Adjustment to reconcile net profit to cash provided by operating activities		
Depreciation	193,831	178,821
Loss on Assets	699,500	
	<u>2,571,427</u>	<u>5,454,146</u>
(Increase)/Decrease in:		
Accounts Receivable	8,148,929	36,202,830
Investments and Securities	(10,792,397)	(38,159,749)
(Decrease)/Increase in:		
Accruals	58,093	51,000
Unearned Premiums	796,767	(3,774,750)
Contingent Liability	9,816,568	(9,303,750)
	<u>10,599,397</u>	<u>(9,530,273)</u>
<b>CASH OUTFLOW FROM OPERATING ACTIVITIES</b>		
<b>INVESTING ACTIVITIES</b>		
Purchases of Fixed Assets	(156,931)	(77,201)
	<u>(156,931)</u>	<u>(77,201)</u>
<b>CASH OUTFLOW FROM FINANCING ACTIVITIES</b>		
<b>FINANCING ACTIVITIES</b>		
Dividend	(120,902)	(268,788)
Policy Reserve	(10,050,100)	10,967,378
	<u>(10,171,002)</u>	<u>10,378,590</u>
<b>CASH (OUTFLOW)/IN FLOW FROM FINANCING ACTIVITIES</b>		
<b>INCREASE IN CASH</b>	271,463	771,117
<b>CASH BEGINNING OF YEAR</b>	2,269,334	1,498,217
<b>CASH END OF YEAR</b>	<u>2,540,797</u>	<u>2,269,334</u>

**CONDOR INSURANCE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**  
**(EXPRESSED IN UNITED STATES DOLLARS)**

**1. INCORPORATION AND PRINCIPAL ACTIVITY**

The Company was incorporated on December 15, 1992 as Company Number 62 1992 (Offshore) under The Companies Act (Cap 336) of the Federal Laws of St. Kitts and Nevis. The Objects Clauses of its Memorandum of Association provide for The Company to carry on all types of insurance business as an international carrier.

It began active commercial operations in 1996. ATLANTIC AMERICAN HOLDING COMPANY LIMITED (the Parent), which had also been incorporated as a St. Kitts company, owns 99.9% of The Company's Share Capital.

The Company is involved primarily in reinsurance business, as well as issuing special types of Financial Guarantees and Surety Bonds, with an emphasis on covering "blocks" of business from ceding insurers.

**2. SIGNIFICANT ACCOUNTING POLICIES**

The Financial Statements have been prepared in accordance with Generally Accepted Accounting Principles, applicable to insurance carriers with multi-national lines of business. Assets are designated as being current in conformity with statutory accounting policies on a case by case basis. The following policies are applied by The Company:

- a) Premiums Earned are recorded as earned:
  - i. Upon expiration of policies for all annual purposes; and
  - ii. Retable over the life of the policies for intermittent purposes, unless otherwise agreed and contracted;
- b) Claims paid are recorded as those actually paid plus an allowance for known claims (IBNR) on a per policy basis recorded as a current liability and expensed as of the date the Company becomes aware of the claim.
- c) Claims Reserve are estimated at 80% of the coverage provided.
- d) Provisions for taxes are not included in these Financial Statements. The Company is exempt from taxes at its place of domicile.



**CONDOR INSURANCE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**  
**(EXPRESSED IN UNITED STATES DOLLARS)**

- e) **Foreign Currencies:-** all amounts are stated in United States Currency. During the year exchange differences arising from currency translations in the course of trading, and gains and losses arising from the translation on monetary current assets and liabilities are dealt with through the Income Statement.
- f) **Rolling Stocks and Other assets** are stated at cost. Provision for depreciation is charged on a straight line basis estimated to write off the assets over their expected useful lives at the following rates:-

Buildings	5%
Rolling Stocks	10%
Office Equipment	20%
Machinery & Equipment	15%
Furniture & Fittings	5% & 10%

**3. CASH AND BANK**

All accounts are in the name of the Company and under the control of the Company and the amount is made up as follows:

	2006	2004
Overseas	2,532,593	2,269,467
Local	8,204	9,647
	<u>2,540,797</u>	<u>2,269,334</u>

**4. ACCOUNTS RECEIVABLE**

These amounts include premiums from insurance and reinsurance contracts as earned within the trading year.

**5. INVESTMENTS AND SECURITIES**

These consist of holdings in US based companies and securities that are, for the most part, publicly traded on stock exchanges in The United States. The variations are reflective of the stock market values obtaining at the end of the last business day of the trading year being audited. They also include an investment (at par value) of \$1,000,000 in the Company's wholly owned subsidiary, Aege Shipping Limited.

**CONDOR INSURANCE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**  
**(EXPRESSED IN UNITED STATES DOLLARS)**

**6. ROLLING STOCK AND OTHER ASSETS**

	Buildings	Rolling Stocks	Office Equipment	Machinery Equipment	Furniture & Fittings	Total
<b>COST</b>						
At beginning of year	98,195	919,103	105,597	28,293	505,407	1,654,595
Additions			2,228		155,398	157,626
Disposal						0
At end of year	98,195	919,103	107,825	28,293	660,805	1,812,221
<b>ACCUMULATED DEPRECIATION</b>						
At beginning of year	34,202	604,479	37,559	25,725	255,793	957,758
Additions	4,910	91,911	34,423	308	62,974	194,526
Disposal						0
At end of year	39,112	696,390	71,982	26,033	318,767	1,152,284
<b>NET BOOK VALUE</b>						
At December 31, 2005	59,083	222,713	35,843	260	342,038	659,837
At December 31, 2004	63,993	314,624	68,038	568	249,814	696,837

**7. REAL ESTATE**

All holdings are reported at market value as at the end of the trading year.

**8. UNEARNED PREMIUMS**

The amount is computed in accordance with the policy as stated under Note 3A above.

**9. CONTINGENT LIABILITY**

This account represents a provision for disputed claims against The Company. It is adjusted as matters are raised and settled.

**CONDOR INSURANCE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**  
**(EXPRESSED IN UNITED STATES DOLLARS)**

**10. POLICY RESERVE**

This account comprises reserve liabilities of the Company's directly written business at the levels indicated in note 3c. above.

**11. SHARE CAPITAL**

**2006                      2004**

Authorized

1,000,000 No Par Value Common Shares

1,000,000                      1,000,000

Issued and Fully Paid

1,000,000 No Par Value Common Shares

1,000,000                      1,000,000

**12. CAPITAL CONTRIBUTED**

This consists of investments, bonds and securities. These have been adjusted for unrealized gains and losses thereon.

**13. SURPLUS NOTES**

In accordance with Statutory Accounting requirements, this item is treated as equity. There is no scheduled redemption period as this transaction is between The Company and its Parent.

## Exhibit "B"

**2006**  
**Portfolio Transfer (July - December)**

Premium Value      \$6,000,000.00

**Compensation**

Cash      \$1,768,000.00

Non Cash      1. New LTV Account Receivable (still uncollected)  
                          2. Gold Rock Creek / Stockton Fuller & Co Account Receivable (still uncollected)  
                          3. PetroQuest Restricted shares of Stock - 3,000,000 shares @ \$65 per share

\$500,000.00  
 \$650,000.00  
 \$1,950,000.00

Non Cash Value      \$3,100,000.00

Compensation      \$4,868,000.00

Fronting Fees      \$600,000.00

Excess liability taken by CGI      \$532,000.00

1,132,000